REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Combined Truck/Rail Transportation Service: Action Needed To Enhance Effectiveness

Piggyback, the transportation of truck trailers and containers on rail flatcars, offers, in principle, increased efficiency at a time when saving energy is of increasing importance to the Nation.

Some shippers who use trucks would use piggyback more if there were better rates, speedier service, and easier handling of loss and damage claims. Interstate Commerce Commission officials believe that railroads generally do not promote piggyback because it may compete with their boxcar service--boxcars, with their 40-year lifespan, represent a substantial capital investment.

GAO makes a series of recommendations to reduce these difficulties and concludes that the primary impetus to increased piggyback use must come from the railroads.

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DECEMBER 2, 1977

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

This is our report on what the Interstate Commerce Commission can do to encourage the growth of piggyback and increase transportation efficiency. The report discusses the problems railroads have and how the Commission, within its statutory authority, can help alleviate them.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Director, Office of Management and Budget; the Chairman, Interstate Commerce Commission; and the Secretary of Transportation.

Elmer B. Staats

Comptroller General
of the United States

COMPTROLLER GENERAL'S REPORT TO THE CONGRESS

COMBINED TRUCK/RAIL TRANSPORTATION SERVICE: ACTION NEEDED TO ENHANCE EFFECTIVENESS

D I G E S T

Piggyback, the transportation of truck trailers and containers on rail flatcars, can increase transportation efficiency in the United States.

Trucks offer cost and service advantages for short hauls, principally pickup and delivery; railroads offer fuel efficiency and cost advantages for longer hauls. Piggyback, the combination of the two, offers the most efficient use of both at a time when saving energy has become increasingly important to the Nation.

During the last decade, piggyback has enjoyed some growth. While piggyback carloadings compared to total rail loadings has increased, they accounted for only 5.9 percent of the total domestic rail freight carloadings in 1976. Various transportation interests believe that piggyback is still limited and is clearly a long way from achieving its full potential.

Interstate Commerce Commission officials told GAO that railroads could promote piggyback more but do not do so because they do not want piggyback to divert traffic from their boxcars, which have a useful life of 40 or more years.

In order for the public to receive the greater fuel efficiencies, environmental benefits, and cost savings which can come from greater piggyback use:

--Railroads will have to solve certain problems which discourage shippers from using piggyback.

--The Interstate Commerce Commission should help promote piggyback by changing some of its regulations and by examining the effect of certain inequities in the Interstate Commerce Act and seeking legislative authority, where needed, to make needed changes.

PROBLEMS THE RAILROADS MUST OVERCOME

The railroads must lead in providing services that shippers demand. Generally, shippers using piggyback are sensitive to delays in pickup and delivery; therefore, swift railroad services must be maintained.

For example, shippers in the traffic corridor between the Twin Cities of Minneapolis-St. Paul and Chicago indicated that they are discouraged from making more use of piggyback because:

--Average trucker delivery times were faster than piggyback, 8 hours compared to over 17 hours delivery times.

--The rate structure offered for piggyback often was less attractive than rates offered by truckers.

--There were losses and damages by piggyback, and shippers had problems in recovering damages.

These problems must be solved before piggyback can grow between the Twin Cities and Chicago, and there are indications that similar problems exist in other parts of the country.

The Commission agreed with GAO that the railroads must improve but noted that the problems railroad have in providing service to meet shippers' and carriers' piggyback needs are serious. It said that, while the railroads are the central focal point, actually performing the service, the improvements they can accomplish may be limited. The specialized needs of the shippers and the natural inflexibility of rail operations need to be considered. The Commission believed that due to the basic differences between rail and truck service, diversion of traffic to piggyback cannot be expected beyond a certain level.

The Department of Transportation recognizes that railroads need to improve their piggyback operations. The Department recently

announced a demonstration program to promote piggyback by showing the railroads that productivity, profitability, and energy conservation can all be achieved through improved piggyback operations. (See p. 14.)

REGULATORY CHANGES COULD INCREASE PIGGYBACK USE

The Interstate Commerce Commission could encourage piggyback growth by changing some of its regulations. For example, it should eliminate or modify its restrictions on

--rail-owned truck companies so they can peform piggyback more effectively and

--trucker's use of piggyback.

Because it was concerned about the competitive advantages that truck companies owned by railroads could have over other truckers and railroads, the Commission generally restricted their operations. This, in turn, limited the railroads' ability to perform piggyback. Modification of these restrictions would eliminate the dependence of some railroads on truckers for providing piggyback service, and this should be done. (See p. 16.)

The Commission prevents common carrier truckers from using piggyback under some circumstances; for example, a trucker cannot use piggyback if the mileage traveled is less than 80 percent of the mileage the truck would otherwise travel on its authorized highway route. The Commission says such restrictions are needed to protect existing carriers and insure adequate service.

However, the Commission is currently studying the need for this limitation. In responding to this study, the Council on Wage and Price Stability urged the Commission to eliminate all restrictions on truckers' use of piggyback. GAO concurs with this. (See p. 22.)

Also, truckers wanting to specialize in piggyback are prevented in some cases because the Commission will not grant operating authority if regulated truckers are already serving the

area adequately. Although truckers without authority can lease their equipment with Commission approval, to a regulated trucker to provide piggyback service, the lease fee can range from 13 to 20 percent of revenue. This probably increases piggyback cost.

In July 1975, a Commission internal study panel recommended that special Commission operating authority be granted to truckers wanting to specialize in piggyback, thus enabling shippers to take advantage of long-distance railroad economies. The Commission, however, rejected the proposal because it believed existing regulated truck service was adequate. (See p. 24.)

INEQUITIES IN THE LAW WHICH AFFECT THE GROWTH OF PIGGYBACK

One problem piggyback faces is the large amount of empty return mileage--40 percent compared to 16 percent for trucks on highways. In this regard, the Interstate Commerce Act gives truckers a competitive advantage. The act allows truckers to haul agricultural commodities which are exempt from truck regulations at whatever rates they can negotiate. Railroads, however, can only haul the commodities at published rates. As a result, truckers underbid railroads, and this contributes to the railroads' empty return problem.

The Commission should study the inequities of the act in terms of its restrictions on piggyback and seek legislative authority to make needed changes. But the primary leadership needed to increase the use of piggyback must come from the railroads.

COMMISSION ACTIONS

The Commission said GAO's report correctly points out there are many interrelated factors inhibiting the growth of piggyback service. Commission task forces are studying

--key point restrictions,

--unrestricted motor carrier certification, and

--Interstate Commerce Act restrictions relating to rail-owned truckers.

The Commission said it also agreed with GAO's analysis of the inequities involved in transporting agricultural commodities and said it had repeatedly requested legislation to eliminate the disparity.

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ABBREVIATIONS

DOT	Department of Transportation
GAO	General Accounting Office
ICC	Interstate Commerce Commission

CHAPTER 1

INTRODUCTION

In 1976 the Congress established a National Transportation Policy Study Commission to investigate transportation needs and resources. The 19-member Commission, consisting of 12 congressional members and 7 public members, is evaluating the relative merits of different transportation modes, and it plans to make recommendations in 1978. Part of the Commission's study relates to intermodal service, which offers the advantages of transportation carriers working together for increased efficiency. Piggyback--the transportation of truck trailers and containers on rail flatcars--is one such intermodal service.

Piggyback offers the inherent advantages of both truck and rail. Trucks usually possess cost and service advantages for short hauls, principally pickup and delivery, and railroads offer a cost advantage for longer hauls. Railroad and trucking officials believe that the cost advantage shifts from regulated trucks to rail at a distance of about 400 miles.

The Interstate Commerce Commission (ICC) and Department of Transportation (DOT) have said that more use of piggyback would provide greater energy efficiencies. During the last decade, piggyback has enjoyed some growth. As shown below, the percentage of piggyback carloadings to total rail carloadings has increased somewhat, but in 1976 still accounted for only 5.9 percent of total domestic railfreight carloadings.

	Calendar year						
	1966	1971	1972	1973	1974	1975	1976
	(millions)						
Total carloadings	29.6	25.3	26.1	27.3	26.4	23.2	23.6
Piggyback carloadings	1.2	1.2	1.3	1.5	1.5	1.2	1.4
Percent of piggyback to total	3.9%	4.7%	5.7%	5.6%	5.7%	5.3%	5.9%

ICC officials told us that there has been more growth in the use of piggyback to haul containers for import-export movements. But various transportation interests believe that the railroads' present percentage of piggyback traffic is still quite limited and that piggyback is clearly a long way from achieving its full potential.

JURISDICTION OVER PIGGYBACK

ICC is an independent agency with broad responsibilities for insuring that the United States has an adequate, efficient transportation system under private ownership. ICC's regulatory responsibility affects every mode of surface transportation. It is composed of 11 members who are appointed by the President and confirmed by the Senate. The Chairman is designated by the President, and the Vice-Chairman is elected annually.

The Interstate Commerce Act provided the basis for ICC's policies and regulations of transportation by rail, motor, and water. Although certain sections of the act deal with intermodal service between railroads and water carriers, the Congress did not give ICC specific instructions about intermodal service between railroads and truckers. ICC, by law, has authority to require intramodal through route agreements for railroads, water carriers, and buses and intermodal agreements between railroads and water carriers. A through route is an agreement between two or more carriers to carry freight from an authorized point on the line of one carrier to an authorized point on the line of another.

ICC has developed specific piggyback regulations which, among other things, provide (1) standardization of industry practices, (2) tariff and billing requirements, and (3) guidelines for piggyback service. Other ICC regulations which apply to motor and rail transportation also apply to piggyback.

Truck regulations

Over 16,000 trucking companies serving the public are subject to ICC economic regulations. These companies may be divided into two classes--common carrier and contract carriers. Common carriers serve the general public and publish rates for their services. Every common carrier, in order to operate interstate, must prove to ICC that the proposed service is needed. Once this is done, the common carrier receives an operating authority which specifies the locations it may serve and, generally, the commodities it may carry.

Contract carriers operate under continuing contracts with one or more shippers. By assigning vehicles to shippers and through other special services, a contract carrier serves the distinct needs of an individual customer. Contract carriers must also obtain ICC permission before operating interstate.

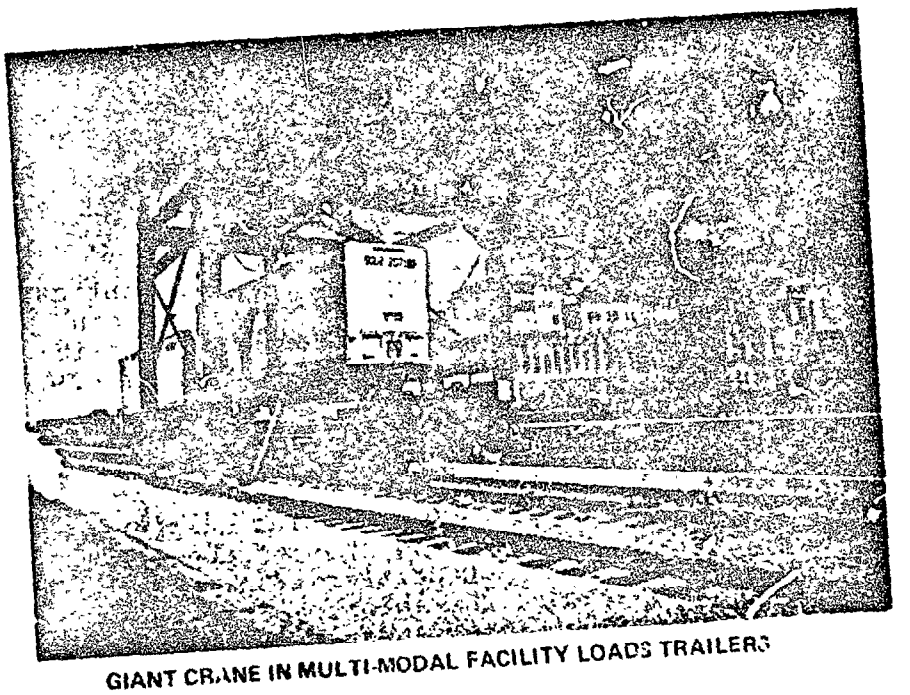
ICC, by law, does not have authority over (1) intrastate truck movements, (2) interstate trucks carrying certain agricultural products, (3) local truck transportation in commercial zones which are specified urban districts, and (4) truckers engaged in private operations, such as manufacturers and retailers who may have their own trucks but are not in the transportation-for-hire business.

ICC has approved seven basic plans which shippers use for piggyback service. (See app. I.) Two of the plans involve the cooperation of common carrier truckers and railroads. Under those plans, the shippers are allowed to deal with truckers in transporting their cargoes. These truckers can provide the trailers and pickup and delivery services. The revenue from these shipments is divided between the trucker and the railroad. Although truckers are not required by law to enter into any piggyback agreements with railroads, they may do so. When such an agreement is made, ICC requires that the truckers have the operating authorities to carry cargo for their segments of the piggyback movements.

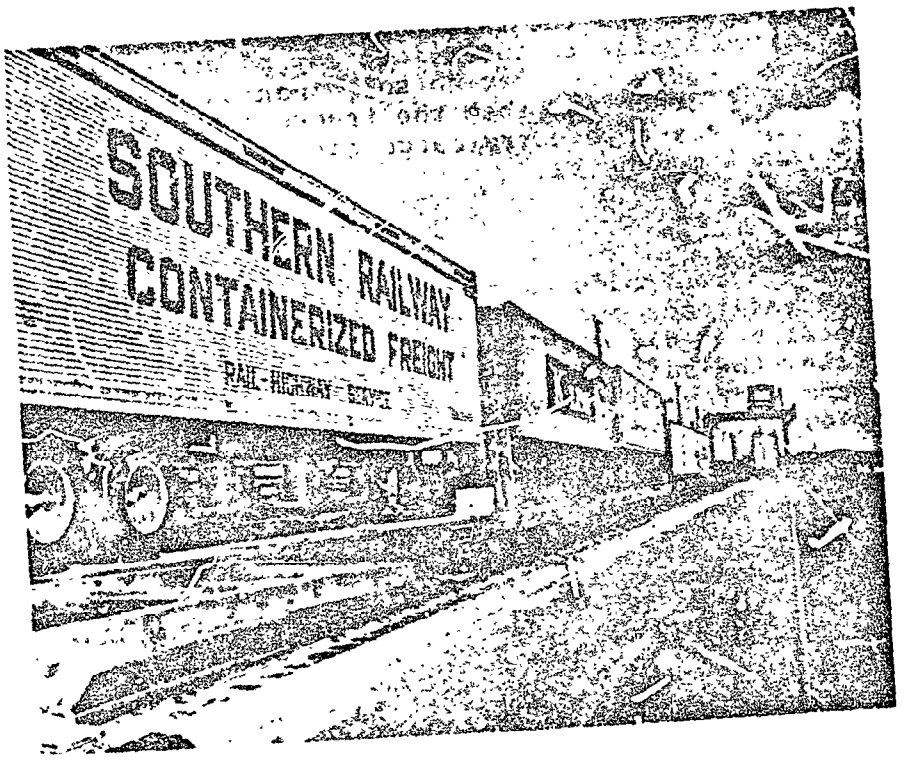
Railroad regulation

Except for railroads which do not serve the general public, all railroads are subject to ICC regulations. When shippers deal directly with the railroads for piggyback service, the railroads may provide all equipment and service from pickup to delivery or only the rail portion of the movement. If the railroads provide pick up and delivery with their own trucks, ICC requires that the trucks have, when necessary, motor carrier operating authorities to provide service between the railroad loading ramps and the shipper's loading and unloading points. No ICC authority is necessary with respect to certain piggyback plans when truck service is performed within the exempt commercial zones.

ICC does not have the authority to require through route agreements between trucks and railroads, but both can voluntarily enter into such agreements. Every tariff must be filed with ICC showing the service to be provided, routes,



GIANT CRANE IN MULTI-MODAL FACILITY LOADS TRAILERS



PIGGYBACK FACILITY CAPABLE OF HANDLING 22-CAR TRAIN SECTION–UP FROM THE ROAD BEHIND A TRUCK TRAILER AND ON THE SPECIAL INTERMODAL OR PIGGYBACK FLAT CARS, OR FROM RAIN TO ROAD, GO TRAILERS AND CONTAINERS BEING LOADED, OR UNLOADED. THE MOVEABLE, RAIL-MOUNTED OVERHEAD GANTRY CRANE CAN LIFT 90,000 POUNDS AND CAN HANDLE A 22-CAR TRAIN SECTION.

SOURCE: THE SOUTHERN RAILWAY COMPANY

and rates. When railroads and truckers enter into through route arrangements, charges for service must be just and reasonable. Railroads and truckers usually agree to charge a single rate, called a joint rate, for carrying freight on a through route. Under five piggyback plans, railroads can provide piggyback service without the cooperation of common carrier truckers. ICC requires that railroad piggyback service be available to all; therefore, common carrier truckers can use piggyback services without making special joint rate arrangements with the railroads.

SCOPE OF REVIEW

We reviewed the efforts by the rail and trucking industries, ICC, and DOT to increase the use of piggyback. We did not assess (1) the operations of other intermodal transportation systems such as water and rail carriers, airlines and truckers, and railroad landbridges, (2) the nature or extent of potential piggyback technological improvements, or (3) the adequacy of rail equipment to perform piggyback.

Our review was done at ICC headquarters in Washington, D.C.; regional offices in Chicago and San Francisco; the Minneapolis field office; and railroad and trucker headquarters in Illinois, Minnesota, and California. We interviewed ICC personnel and reviewed ICC's statistics on piggyback traffic, policies and procedures, and applicable laws and regulations.

We discussed piggyback usage with shippers in Minnesota, Illinois, and California and met with DOT officials to (1) obtain their assessment of piggyback growth and potential and (2) determine the extent of their participation in promoting piggyback growth. We also discussed the impact of piggyback with several officials of the Teamsters Union.

We studied the traffic corridor between Chicago and Minneapolis-St. Paul (Twin Cities). We selected this corridor because a heavy volume of freight moves regularly in each direction, there are a large number of shippers, the transportation modes are highly competitive, and the cities are far enough apart to take advantage of piggyback's efficiencies.

CHAPTER 2

POTENTIAL BENEFITS OF INCREASED USE OF PIGGYBACK

The Interstate Commerce Commission and the Department of Transportation have evaluated the merits of increased piggyback use and concluded that the public would benefit. ICC in an August 1976 statement concluded that increased piggyback use would provide fuel efficiencies and environmental benefits to the public.

DOT has funded two research projects in an effort to obtain information on the feasibility of a systematic piggyback network. The researchers found that a piggyback network is feasible and that it would result in energy efficiencies and environmental benefits if the railroads make several changes, primarily by providing better service and lower rates.

ICC DETERMINATION OF PIGGYBACK EFFICIENCIES

In October 1976, ICC modified a regulation which could increase the use of piggyback. (See p. 22.) ICC stated in its environmental impact statement on this regulation change that the shift of additional traffic from highways to rail would be beneficial as follows:

> "The lower rolling resistance of steel wheels on steel rails as compared to pneumatic tires on pavement surfaces, and the economies of scale associated with longer trains make railroads a more energy efficient transport mode than trucks by a factor of between 2.5 to 1 and 4 to 1 or more for an equivalent ton mileage of freight.
>
> "* * * Since piggyback service is utilized primarily for intermediate or long distance hauls and the increased use of such service will result in larger trains, the energy efficiencies obtainable from rail transport will be realized close to their full extent."

ICC also stated that more piggyback shipments would have a beneficial effect upon the air quality because total emissions per ton-mile would be reduced by the increased use of more efficient rail transportation and higher rail load factors.

ICC pointed out that increased grade crossing accidents and derailments may be disadvantages of additional use of piggyback. According to ICC, these disadvantages, as well as other safety hazards associated with heightened rail activity, would be offset by improvements in highway safety. Historically, railroads have had fewer accidents per vehicle-mile than intercity common carrier truckers.

DOT'S EFFORTS TO DETERMINE PIGGYBACK EFFICIENCIES

DOT was established in 1966 to develop coordinated transportation service, provide general leadership in solving transportation problems, and make recommendations on transportation to the President and the Congress.

DOT's 1975 Statement of National Transportation Policy noted that, for the most part, the potential of intermodal services remained unrealized. DOT said the problem had been a lack of information for decisionmakers to measure the potential of intermodal services.

Research projects

Early in 1972, DOT publicly posed the question of whether a national piggyback network could provide significant national benefits and be self-sustaining. In 1973, DOT contracted with Reebie Associates, a transportation consulting firm, for two research projects on piggyback. These projects were to consider the feasibility and benefits of a nationwide piggyback system 1/ and piggyback in a selected traffic corridor. 2/ Hypothesizing the amount of intercity freight which would shift to rail if piggyback services were faster and rates were cheaper, Reebie Associates projected the benefits and problems that such a system could have on the transportation industry.

Although Reebie Associates concluded that more piggyback was feasible, its projection was based on several standards needed for a successful piggyback operation. These standards were:

1/National Intermodal Network Feasibility Study, Report No. FRA/OPPD-76/21, May 1976.

2/An Improved Truck/Rail Operation: Evaluation of a Selected Corridor, DOT-FH-11-8158, December 1975.

--Typically, more profitable traffic demands faster and more reliable transit times; therefore, high service standards would have to be maintained.

--Motor carriers, with their greater flexibility, will be extremely cost competitive, so the unit cost potential inherent in piggyback would have to be fully realized.

--Because of service and cost requirements, high standards of equipment and facility maintenance would have to be met.

--Operating within the context of such a high standard, some of the existing railroad lines and plans and many terminal facilities would be inadequate and, therefore, would have to be upgraded or replaced.

--Because of the critical need to maintain minimum unit costs, the commercial department in an intermodal organization would have to adopt, as one of its primary goals, the achievement of balanced traffic flows, brought about by pricing action and selective sales development.

Benefits

Reporting in 1976, Reebie Associates stated that a nationwide piggyback system would provide the following benefits.

--In general, piggyback would have a positive impact on the health of both the railroads and the trucking industry. As traffic shifts are made, each mode could concentrate more on that portion of traffic for which it is most capable of operating.

--An improved system could be expected to save about 53.7 million gallons of fuel in 1985 compared to the amount that would be used if transportation continued as it was in 1976. This shift in transportation would represent a 9-percent fuel savings.

--The improved system would provide an additional transportation operation which could be highly competitive with the existing transportation modes. The increased competition should benefit the consumer in terms of lower cost and better service.

Reebie Associates selected the traffic corridor between Los Angeles and Portland, with Sacramento as an intermediate

point, to study as a selected corridor within a nationwide system. Generally, the benefits identified in this study were less than those in the nationwide study. The comparisons between the transportation modes were affected by mountainous terrain and the comparative ages of the rail and highway facilities.

Although the corridor study did not indicate any fuel savings, Reebie Associates pointed out that an improved piggyback system could reduce operating costs. Using a costing system which is not generally used in the transportation industry, Reebie estimated that an improved piggyback system could operate 25 to 30 percent cheaper than common carrier truckers.

Problems

Reebie Associates stated that the major problem in both the nationwide and selected corridor studies would be the expected elimination of some long-distance driving jobs. This would occur because a significant volume of freight would shift from the highways to rail. Nationally, Reebie Associates estimated that about 16,000 long-distance truck drivers' jobs--less than 1 percent of the total Teamsters Union membership--could be lost. On the other hand, Reebie Associates stated the normal attrition could take care of the situation.

In response to the possible loss of long-distance truck drivers' jobs, Teamsters officials told us they didn't believe the increased efficiencies from more use of piggyback would justify the loss of its members' jobs. They explained that long-distance truck driving is one of the few occupations where a relatively unskilled worker can earn a decent living.

CHAPTER 3

RAILROAD ACTIONS NECESSARY TO INCREASE THE USE OF PIGGYBACK

The success of any transportation service is based on its ability to provide good service at low rates. In order to determine the problems inhibiting piggyback growth, we studied the traffic corridor between the Twin Cities and Chicago and interviewed shipping, trucking, and railroad personnel. Our study indicates that shippers in this corridor are experiencing problems with piggyback service and rates which must be solved before piggyback can grow. In this corridor we found that:

--On the average, piggyback delivery times were slower than those of truckers.

--The rate structure offered for piggyback service was often less suitable to the shipper's needs than that offered by truckers.

--Shippers were reluctant to use some of the piggyback plans because of cargo loss and damage and problems with claims.

Various studies and industry magazine articles indicate that similar problems exist in other parts of the country.

ICC agreed the railroads must improve but noted that the problems the railroads will have in meeting service needs of shippers and carriers are serious. ICC said that there are many interrelated factors inhibiting the growth of piggyback, and while the railroads are the proper focal point, there may be limits to the improvements they can make. These limitations, according to ICC, involve shippers' specialized needs and the inherent inflexibility of rail operations. ICC said that, beyond a certain level of service, diversion of traffic to piggyback cannot be expected because of basic differences between rail and truck service. (See p. 33.)

CORRIDOR DESCRIPTION

The shortest line haul distance between Chicago and the Twin Cities is about 400 miles by either highway or rail. An interstate highway runs across Wisconsin. In addition,

the Mississippi River and Illinois Waterway provide a competitive water link for commodities such as steel products. Despite the presence of the waterway, it appears that the competition for freight suitable for piggyback is between railroads and truckers.

There are currently five railroads providing daily piggyback service in this corridor. Three of the railroads' mileage between Chicago and the Twin Cities are comparable to the interstate highway distance of about 400 miles. The two remaining railroads have mileages of 457 and 524 miles.

A total of 42 general commodity, common carrier truckers serve the commercial points between Chicago and the Twin Cities. The number of unregulated truckers operating within the corridor is unknown, but a Wisconsin traffic survey indicated about one-third of the motor freight moves by these truckers.

NEED TO IMPROVE PIGGYBACK DELIVERY TIMES

The Reebie study indicated that the transportation mode capable of providing morning delivery in the shortest time established the service standard for a particular traffic lane. Truckers in the Chicago-Twin Cities corridor have established an 8-hour standard for early morning delivery of any shipment given to them the previous afternoon. None of the five railroads in this corridor could meet this service standard consistently. The transit times of the corridor's three dominant railroads for piggyback exceeded that of the truckers.

In addition, piggyback requires time for terminal handling and local pickup and delivery. Railroads generally establish terminal cutoff times which require the shippers to deliver their trailers 1 to 2 hours before the train's scheduled departure. Local pickup and delivery time averages about 1 hour. Therefore, total average service times for the three dominant railroads were as follows:

Average Piggyback Service Time

Activity	Northbound from Chicago			Southbound from Twin Cities		
	No. 1	No. 2	No. 3	No. 1	No. 2	No. 3
	(hours)					
Origin:						
Pickup	1.0	1.0	1.0	1.0	1.0	1.0
Terminal	2.0	2.0	2.0	2.0	2.0	2.0
Line haul	11.0	14.5	12.5	12.0	13.8	16.0
Destination:						
Terminal	2.0	2.0	2.0	2.0	2.0	2.0
Delivery	1.0	1.0	1.0	1.0	1.0	1.0
Total	17.0	20.5	18.5	18.0	19.8	22.0

Service times are estimates based on optimum operations and do not allow for delays caused by terminal or local road congestion. As a result, actual times may or may not exceed the estimates. All the shippers we interviewed stated that, if piggyback service time was improved to a level comparable to truckers, they would use piggyback more.

In an attempt to improve piggyback service in this corridor, DOT proposed in 1976 that the five railroads, through a joint effort, provide dedicated piggyback services; that is, service where a train would be composed of only piggyback shipments. The railroads would cooperatively pool their trailers and provide piggyback trains between Chicago and the Twin Cities. A pooling agreement is an arrangement among common carriers to pool or divide traffic, service, or revenue. Pooling agreements are unlawful unless approved by the Interstate Commerce Commission. As of July 1977, the railroads had not applied to ICC for approval, and at least one railroad had indicated opposition to the proposal.

In regard to transit time, ICC officials said that another rail system not in the corridor we studied found that piggyback was not cost effective and, therefore, mixed piggyback trailers with other railcars. ICC said that with such service, the transit time is relatively unattractive, and piggyback, on this rail system, has been second-class service.

PIGGYBACK RATES ARE NOT ATTRACTIVE TO SOME SHIPPERS

Railroads generally use flatcars for piggyback which can accommodate two trailers, and they have assessed an additional charge to those shippers who ship only a single trailer. In the Chicago-Twin Cities corridor, the difference between shipping one and two trailers simultaneously to a common destination was about $50 per trailer. Most shippers, even some of the larger shippers, seldom have two trailers to ship and, therefore, cannot realize this savings. As a result, some shippers have formed an association to match the members' single trailers into pairs, thus qualifying the shippers for the lower charge. While the association has performed its function successfully, it still charged members up to $29 per trailer for the service.

Railroads in the corridor offer piggyback rates for full trailer loads only. These rates are generally attractive to shippers with bulky commodities which meet the minimum weight requirements for full truckloads. On the other hand, the railroad rates are unattractive to shippers whose commodities cannot meet the minimum weights required for truckloads.

In addition, railroads in the corridor did not offer attractive rates and services for consolidating shippers' less-than-trailer loads. Implementing better service for consolidating such shipments, according to ICC, would possibly bring about an increase in freight rates. ICC provided the following data to show that railroads have preferred to get away from handling such traffic:

Year	Carloads total	Less-than-carload	Percent less-than-carload
1946	41,375,782	6,324,850	15.29
1956	37,841,969	3,035,495	8.02
1966	29,167,728	322,349	1.11
1976	23,638,376	20,125	0.09

NEED TO IMPROVE PROCEDURES FOR HANDLING LOSS AND DAMAGE CLAIMS

Shippers in the corridor were dissatisfied with both the amount of damages sustained in the use of piggyback service and the refusal of the railroads to compensate them for these damages.

Trailers on rail flatcars undergo a constant sideways swaying. Cargo, therefore, must be loaded or braced differently

in trailers being carried by rail than in trailers being transported by trucks. Some shippers, after adopting proper loading techniques, have eliminated excessive damages to their piggyback shipments. Other shippers, however, have decided to limit their piggyback usage because of the high rate of damage.

The carrier issuing a receipt or bill of lading for a shipment is responsible for losses or damages while the shipment is in its custody even if the loss or damage occurs on the line of another carrier. Under the most widely used piggyback plan, however, the liability for damage is difficult to prove. Shippers load and seal trailers at their shipping docks, and local truckers deliver the trailers to the rail terminal. Without inspecting the content of the trailers, the railroads then place them on the flatcars for movement. Unless the trailers are involved in a derailment or obviously damaged in transit, the railroads will generally deny payment of shippers' damage claims. Their denial is based on the inability of the shippers to prove that damages occurred while the trailers were in the custody of the railroads. Shippers are not faced with similar denials when they use conventional rail or motor carriers and, therefore, many shippers may choose to avoid using piggyback.

DOT EFFORTS TO IMPROVE PIGGYBACK GROWTH

In February 1977, DOT announced a demonstration program designed to implement many of the standards recommended by Reebie's studies. The program's objective is to improve rail/highway freight service, productivity, profitability, and energy conservation. Under the terms of the 3-year, $1.3 million contract, the Association of American Railroads will manage several demonstrations of new concepts in piggyback services on designated routes between selected pairs of cities.

Operating techniques to be tested include:

--Piggyback trains which provide direct origin to destination service with no classification yard handling.

--Regularly scheduled train operations with two or more departures daily.

--Increased labor productivity.

--Improved terminal operations.

--Specialized information and control system to respond to market changes.

The association will subcontract with several railroads through competitive bidding and will provide project management, monitoring, and coordination. In addition, the association will collect and analyze the data; provide a final report, including findings, conclusions, and recommendations; and assess the probable contributions of an improved rail/highway intermodal service to the national transportation system.

CONCLUSIONS

Our study of the traffic corridor between the Twin Cities and Chicago indicates that before piggyback can grow, railroads must solve certain problems. Specifically, problems with piggyback service and rate structure have discouraged shippers from using piggyback. In order to improve piggyback growth, railroads must provide faster delivery, better rates, and improved handling of loss and damage claims.

Indications are that similar problems exist in other parts of the country. DOT has formulated a new program to foster the development of piggyback, but the rail industry will have to do more itself if piggyback is to realize its potential.

In regulating the various modes, ICC has imposed certain restrictions which add to the problem of implementing a viable piggyback system. These restrictions, their impact, and needed improvements are discussed in the next chapter.

CHAPTER 4

REGULATORY CHANGES COULD INCREASE USE OF PIGGYBACK

As discussed in the preceding chapter, the primary impetus to increased piggyback use has to come from the railroads. However, the Interstate Commerce Commission could help by changing its regulations which restrict the growth of piggyback. Also, there are apparent inequities in the Interstate Commerce Act which affect the increased use of piggyback.

Specifically, ICC regulations and the act

--impose stricter restrictions on the operations of some railroad-controlled trucking companies than on other trucking companies;

--prevent truckers, under certain circumstances, from using piggyback; and

--allow trucking companies, but not the railroads, to competitively bid on the transportation of agricultural commodities to reduce their empty return trips.

RESTRICTIONS ON RAILROAD-CONTROLLED TRUCKING COMPANIES APPEAR TO HAMPER PIGGYBACK GROWTH

ICC imposes stricter restrictions on railroad-controlled trucking companies than on other trucking companies. While some railroads have broad trucking operations without restrictions, others have restrictions which hamper their ability to perform piggyback services.

Although cooperation between truckers and railroads has sometimes worked, it generally suffers from a major flaw. According to a rail official, each transportation mode has commitments to its owners and to its own transportation mode. He said that truckers want to get freight on the highways and railroads want to get it on the rails. Each mode, he said, seeks business for itself whether this truly serves the customers and the public's best interest or not.

We believe these restrictions also indicate that regulatory changes are needed, because:

--As the interstate highway system developed, new industries found it convenient, in terms of market access and economy, to locate away from rail lines. Without trucking connections of their own, railroads have to arrange with truckers for pickup and delivery of trailers and containers. Because of the competitiveness of the transportation environment, arrangements with truckers are sometimes unreliable.

--Generally, shipments moved by trailers or containers tend to be lighter and more costly. These shipments are frequently time-sensitive as to pickup and delivery. As discussed in chapter 3, railroads need to improve transit times. Piggyback operations, therefore, must be efficient to compete with truckers.

ICC officials believe that regulatory restrictions do not impede piggyback growth. According to ICC officials, the key to the success and prosperity of piggyback is the commitment which railroads are willing to make. They said that railroads have traditionally committed themselves to boxcar services. There are huge amounts of "sunk" costs in boxcars and other similar types of equipment which have useful lives of 40 or more years. Railroads, therefore, want to use their boxcars to their best advantage. Piggyback, however, is both an opportunity for competing with motor carriers and a threat to boxcar traffic. ICC officials said that in handling the opportunity and threat which piggyback offers, railroads have attempted to walk the tightrope by providing piggyback service at prices which will entice shippers way from trucks and yet not entice shippers away from boxcar traffic.

Development of restrictions

Before the Motor Carrier Act of 1935 (now part II of the Interstate Commerce Act), many railroad-controlled trucking companies existed. The railroads used these trucks not only to complement their rail service but also to provide service which was independent from their railroad operations.

Public concern about undesirable competitive practices between trucks and between truckers and railroads led to the passage of the 1935 act. And in a 1936 case, ICC expressed disapproval of competition between established truckers and railroads where railroad-owned trucks (1) competed with the railroad itself, (2) competed with established truckers, or (3) invaded territory already adequately served by another railroad. In this and subsequent cases, ICC generally imposed restrictions on rail-owned truck companies which

--limit trucks to operating parallel and adjacent to the railroad lines and

--prevent trucks from providing service between larger cities called key points.

Restrictions on ownership and expansion

The Interstate Commerce Act requires that ICC disapprove railroad ownership of trucking companies except in special circumstances. According to the act, these special circumstances are that the purchase of the trucking company must (1) be consistent with the public interest, (2) enable railroads to use service by motor vehicle to public advantage, and (3) not unduly restrain competition.

In referring to this special circumstances test for railroad-owned trucking companies, ICC in a 1946 case stated that the Congress intended

> "* * * to protect each mode of transportation from the suppression or strangulation thereof which might follow if control thereof were allowed to fall into the hands of a competing transportation agency."

In interpreting congressional intention, ICC has ruled that railroads must show that the purchase of a truck company is not only consistent with, but also must promote, the public interest. The Supreme Court has upheld this ruling.

Railroad-owned trucking companies that existed prior to the 1935 act were generally protected by the "grandfather clause" of the act which allowed them to continue operating. Rail-owned trucking companies' requests for expanded operating authority, however, have been treated the same as requests to purchase truck companies and must meet the special circumstances test.

For example, in 1972 a trucking company which was a subsidiary of a railroad company applied for additional operating authorities. It sought permanent authority to haul trailers between Washington County, Georgia, and various loading ramps in Georgia which were limited to piggyback service. In denying the application, ICC stated that:

--The trucking company is owned by a railroad and that it did not meet the special circumstances test required for additional trucking authority.

--If existing regulated truckers can economically and efficiently transport all proposed shipments, they should be given the right to do so before new competitors are authorized.

ICC, on the other hand, has granted expanded operating rights to some railroad-owned trucking companies without restrictions. Generally, these operating rights were granted when ICC found areas that were not being served adequately by either common carrier truckers or the railroads. Other railroads, however, have truck operating rights which are either limited to rail lines or encumbered by restrictions.

Railroad pickup and delivery capability is limited

Generally railroads are restricted from owning trucking companies unless the truck operations are parallel and adjacent to the railroads' rail lines. As a result, railroads must rely on other trucking companies to pick up and deliver trailers for them. These truckers are often in direct competition with the railroads and may not provide pickup or delivery for the railroads until all their own needs have been met.

Recent ICC action could improve the pickup and delivery capability of some railroads. Historically trucking operations within and immediately around some cities were exempt from regulation under the 1935 act. The boundaries of these areas, called commercial zones, however, remained unchanged while industrial centers and cities changed. In April 1977, ICC expanded the commercial zones around the Nation's cities.

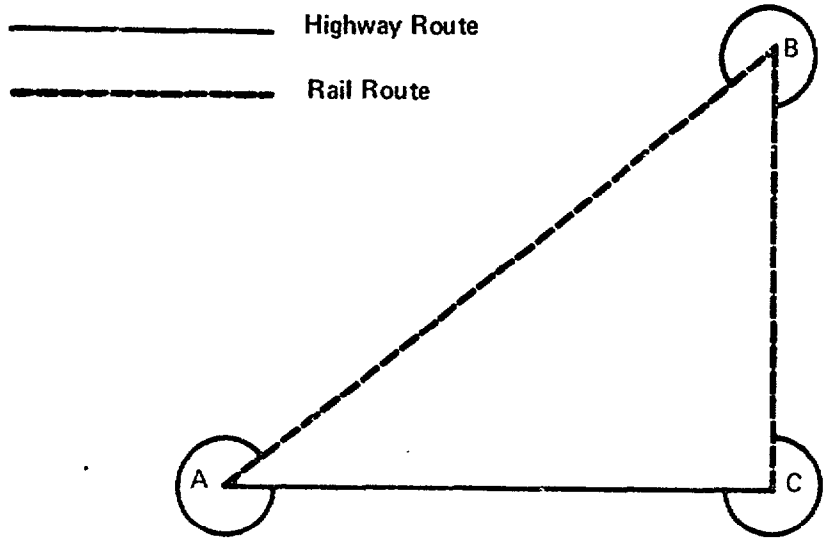
Although in some cases railroad-owned trucking companies' terminal areas may exceed the commercial zones, the expansion of the commercial zones will generally allow railroads to offer wider pickup and delivery services with their own trucks.

Although enlarged commercial zones may remove the railroads' forced reliance on other truckers to provide local pickup and delivery, ICC's key point restrictions, in some cases, still contribute to the poor quality of piggyback service.

Speed and reliability are hampered

The speed and reliability of piggyback service is hampered by an ICC restriction as to where railroad-owned trucks can operate. Such trucks are prohibited from

operating between "key points" (key points are shippers' concentration and distribution points and are usually 100 to 150 miles apart). For example assume points A, B, and C represent different cities with key point restrictions and piggyback terminals. A railroad has tracks between A and B and from B to C but not between A and C. Assume a shipper wants to ship a trailer from A to points where the trailer had to travel through C. The key point restrictions prevent railroad-owned truck service between A and C; therefore, the railroad has to transport the trailer from A through B to reach C. If ICC permitted railroad-owned truck service between A and C, the speed and reliability of piggyback service may improve.



Some railroad-owned trucking and Department of Transportation officials believe key point restrictions cause operational problems and deny flexibility to piggyback operations. It appears that the problems of matching trailer loads and providing dedicated trains, as discussed in chapter 3, are therefore compounded.

In addition, the problems of key point restrictions were discussed in the National Productivity Study. 1/

1/"Improving Railroad Productivity," final report of the Task Force on Railroad Productivity, November 1973.

It said the restriction has probably resulted in the creation of too many piggyback terminals and that a more limited number of terminals may be desirable for efficient train operations. The study pointed out that the decentralization of piggyback terminals is one reason why trailers have tended to move in regular train service, as opposed to dedicated trains, forcing shippers to accept transit times higher than expected. The study further stated that consolidation of terminals will facilitate long-run through trains that will minimize the greater labor and capital costs of short, infrequent trains, intermediate yards, and frequent switchings.

ICC said that key point restrictions are necessary to insure that railroad-owned truck services will supplement rail service rather than compete directly with other truckers. ICC has, in some instances, removed key point restrictions from railroad-owned trucking operating rights when a hardship was found and competition was not restrained.

In our opinion, key point restrictions, in most cases, are no longer needed. ICC imposed these restrictions in the forties when railroads were the dominant mode of transportation. Since that time, trucks have competed effectively with railroads. For example, between 1939 and 1973, the railroads' share of freight shipping decreased from 62 to 39 percent.

RESTRICTIONS WHICH PREVENT TRUCKERS FROM USING PIGGYBACK

ICC regulations prevent truckers who want to use piggyback from doing so in three ways:

--The piggyback mileage (that is, combined highway and rail) cannot be less than 80 percent of the trucker's authorized highway mileage.

--Truckers cannot go to a city to use piggyback unless they already have an operating authority to serve the city.

--Truckers cannot obtain authority to specialize in piggyback if existing regulated truckers are already adequately serving the area.

ICC's reasoning for these limitations is that its statutory authority requires that existing regulated truckers be protected and adequate service be insured. In a previous

report 1/ we pointed out that these traditional regulatory objectives sometimes compete with energy conservation actions. Similarly, they also compete with the other potential benefits that increased use of piggyback would offer.

Limitation on mileage savings

Originally ICC would not allow truckers to use piggyback if the mileage traveled was less than 85 percent of the authorized highway mileage. ICC believed that truckers who used a shorter route could actually be competing in a new market where other truckers might already be efficiently and adequately serving the public.

In response to a petition filed in December 1974, ICC in October 1976 permitted truckers to use piggyback if mileage was at least 80 percent of the authorized highway route. The petition had been filed to make the mileage reduction criterion consistent with another ICC energy-related decision.

When ICC granted this petition, it also started on its own a rulemaking proceeding (Ex Parte No. 230, Sub-No. 4, Investigations to Consider Further Modification of the Piggyback Service Regulations) to determine if there were economic justifications for mileage limitations on the use of piggyback and, if so, what the limitation should be in light of current economic conditions. As of October 1977, ICC had not issued its report on Ex Parte No. 230.

In response to this proceeding, the Council on Wage and Price Stability has urged ICC to eliminate all restrictions on truckers' use of piggyback. The council said that this would in many cases allow more direct shipments and result in fuel savings, improved service, reduced highway congestion, lower maintenance costs and air pollution, and ultimately lower shipping rates.

Truckers may not use all piggyback services available

Truckers may carry cargo to a city if they have an operating authority to serve the city. They may not carry cargo to a city for which they do not have authority, even if they only want to go there to transfer their cargo to piggyback service. For example, assume a trucker is

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1/"Energy Conservation Competes with Regulatory Objectives for Truckers," CED-77-79, July 8, 1977.

authorized to ship from Chicago to Miami but not to any points along the way. If piggyback service was available in Cincinnati, ICC would not allow the trucker to transfer his cargo to the piggyback service unless he also had an operating authority to transport cargo from Chicago to Cincinnati.

ICC officials referred us to a 1963 court case 1/ where the Federal court upheld the ICC's ruling that truckers cannot provide piggyback service where they have not obtained operating authority. The court agreed with ICC that substituted piggyback service should require some reasonable relationship to the authorized motor carrier service for which it is substituted. It concluded that such proposed use of piggyback service was a destructive competitive practice and unlawful.

In 1974, a trucking company petitioned ICC to modify this restriction. The petitioner stated that the restriction impedes its use of piggyback service and also unfairly discriminates against those shippers who are located in communities where railroads have not established piggyback ramps. The petitioner also stated that substituting piggyback service for all or any portion of the truck haul, under certain conditions, would be in the public interest since it would conserve energy and promote efficient surface transportation.

In 1975, ICC denied the petitioner's request. ICC pointed out that if piggyback services are to be controlled effectively, particularly for the purposes of the allowable mileage savings regulation, truckers should be limited to using piggyback service only between the points they are authorized to serve.

Opportunities for truckers to specialize in piggyback are limited

Truckers wishing to specialize in piggyback generally cannot get ICC authority if existing regulated truckers already have ICC operating authorities to serve the same area and are adequately doing so. Under these circumstances, a trucker without authority can lease his equipment with ICC approval to an existing carrier to provide piggyback service.

1/Strickland Transportation Company v. United States, 219 F. Supp. 618 (1963).

One trucker told us that, because he did not have the needed operating authority, he had paid regulated truckers about $250,000 annually for leasing arrangements. These arrangements can range from 13 to 20 percent of the trucker's total revenue. Such lease arrangements may cause higher piggyback charges.

An ICC internal study panel, established to develop guidelines for regulatory improvements and modernization, recognized the need for granting operating authority for piggyback use. In July 1975, the panel recommended that truckers be given special operating authorities to move general cargo by piggyback when

--the truck portion would be 20 percent or less of the mileage and the rail portion 80 percent or more,

--the truck portion would not exceed 400 miles, and

--the railroads would be willing to enter into joint routes and through rates.

The panel believed these special authorities would enable shippers to take advantage of the economies offered by railroads over long distances. Several months later, however, ICC rejected the recommendation because it believed existing truck service was adequate and there was no need for such special authorities.

INEQUITIES INVOLVING TRANSPORTATION OF AGRICULTURAL COMMODITIES

The Interstate Commerce Act provides that the transportation of many agricultural commodities is generally exempt from ICC's regulation. As a result, truckers can bid competitively for agricultural shipments as a means of reducing the amount of their empty return mileage. Railroads, however, can haul agricultural commodities only according to published tariff rates. As a result, railroads say they experience a larger empty return problem than trucks.

ICC officials believe railroads, after making marketing studies, could offer competitive annual rates for transporting agricultural commodities. At least one railroad has done so. We believe improved marketing techniques for railroads are important but not a complete answer to the problem.

Railroad officials told us that piggyback growth has been limited by (1) their lack of opportunity to bid competitively for individual shipments of agricultural products and (2) ICC's failure to control abuses of agricultural cooperatives.

Effect on amount of empty mileage

The Interstate Commerce Act specifically provides that the rates for shipping unprocessed agricultural products do not need ICC approval if these products are hauled by trucks. Railroads, however, cannot negotiate on any published rate. As stated by ICC, they can perform market studies and establish a rate, but they usually do not. Even then truckers are free to underbid railroads on agricultural products to attract shipments needed to achieve a balanced operation.

The Reebie Study showed that nationally piggyback empty mileage averaged over 40 percent in 1975. However, regulated trucking empty mileage is only about 16 percent.

ICC officials believe railroads experience the high amount of empty mileage of piggyback traffic, as compared to regulated truckers, because they pay less attention to the matching of front hauls and backhauls in piggyback traffic. Also they said there is a natural traffic imbalance which contributed to piggyback as well as other types of empty mileage.

Abuses by agricultural cooperatives

Agricultural cooperatives are organizations of farm producers which are controlled by and provide services to their members. In 1968, the Interstate Commerce Act was amended to allow these cooperatives to haul nonmembers' nonagricultural products provided that such transportation (1) was incidental to the cooperatives' primary transportation operation, (2) was necessary for the cooperatives effective performance, and (3) did not exceed 15 percent of the cooperatives' total annual interstate tonnage.

A railroad official complained that many agricultural cooperatives are merely facades of for-hire transportation and many exceed the 15-percent limitation. ICC's field personnel told us that they are well aware of the problem and that the railroads' complaints are justified.

In a news conference held on May 23, 1977, the ICC Chairman stated that sham agriculture cooperatives siphon off some $350 million a year in business from legitimate carriers. He said that on May 20, 1977, the ICC Bureau of Investigation and Enforcement had mailed letters to 250 officers and directors of sham cooperatives stating that ICC intends to take legal actions against them. ICC estimates that the total potential civil liability of the cooperatives involved amounts to some $150 million, with the liability for already-documented counts running to almost $10 million.

In addition, ICC is considering changes in regulations governing agricultural cooperatives. In November 1976, ICC instituted a proceeding on agricultural cooperative transportation. Among other things, ICC is examining (1) the definition of a cooperative association, (2) the definition of member transportation, (3) computation of tonnage allowable in nonfarm-nonmember transportation, and (4) recordkeeping. As of October 1977, ICC was still obtaining information on which to make a decision.

LEGISLATION REQUESTED BY ICC TO IMPROVE PIGGYBACK USE

In the 94th Congress, ICC proposed legislation designed to facilitate the use of piggyback. No action was taken on this proposed legislation and, as of October 1977, it had not been submitted to the 95th Congress. ICC believed that proposed legislation on through routes and freight forwarders would promote a more energy efficient transportation system.

Through routes

As early as 1949 ICC proposed legislation that would give it the authority to order truckers to establish through routes and joint rates. Similar proposals have been introduced 10 times since then.

ICC's latest proposal would have given it the authority to establish through routes and joint rates between trucks and between trucks and rail, water, and express companies. ICC believed this authority would increase use of piggyback service. For example, the authority would allow ICC, absent carrier initiatives, to establish an integrated transcontinental motor-rail-motor-route which combines the advantages of movement by truck with the long-haul economies of rail transportation.

In commenting on a previous GAO report 1/ one ICC commissioner pointed out that while joint rates and route arrangements are common among truckers, the same is not true between railroads and truckers. He stated that, while piggyback has expanded since 1964 (the year ICC issued regulations governing piggyback), the predominant expansion has occurred in plans where the railroads can provide piggyback service without the cooperation of common carrier truckers. He also stated that the percentage of trailers or containers moved under plans which require joint rate provisions between railroads and common carrier truckers has either remained static or has actually decreased.

Freight forwarders

Several times since 1950 proposed legislation was introduced to permit freight forwarders and railroads to arrange special rates. Although ICC's latest proposal was designed to deal with the small shipment problem by permitting forwarders to offer lower rates and expanded service, the legislation could also help railroads to provide more piggyback service.

As mentioned earlier, piggyback has a high rate of empty mileage. Freight forwarders assemble and consolidate small shipments but cannot perform any long-haul services; instead, they turn over full load or volume shipments to long-haul carriers. Under special contractual arrangements, the forwarder could enable the railroads to avoid empty car movements by loading special purpose cars in the empty direction.

CONCLUSIONS

The growth of piggyback has been and continues to be inhibited by a variety of factors. As discussed in chapter 3, the primary impetus to increase piggyback use must come from the railroads. Although ICC has recognized the merits of more piggyback and has made some adjustments, more needs to be done.

Because it was concerned about the competitive advantages that railroad-owned truck companies would have over other truckers and railroads, ICC restricted these

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1/"Energy Conservation Competes with Regulatory Objectives for Truckers," CED-77-79, July 1977.

truck companies to make them auxiliary to rail operations. These restrictions have limited railroads' ability to perform piggyback services.

Truckers, in most instances, are in direct competition with railroads for long distance shipments and do not use piggyback extensively. We believe modification of restrictions on rail-owned companies would remove the dependence of some railroads on truckers to provide piggyback service.

ICC prevents common carrier truckers from using piggyback under certain circumstances. Since ICC imposed these limitations in 1964, the percentage of trailers and containers moving under plans which require joint rate provisions between railroads and common carrier truckers has decreased. Although other reasons, including poor rail service, have contributed to truckers' using less piggyback, the Council on Wage and Price Stability urged that ICC eliminate all restrictions on truckers' use of piggyback. We agree.

In addition, ICC has rejected a proposal which would allow truckers to transport piggyback trailers under special operating authorities. We believe that these special operating authorities would provide greater opportunities to increase the growth of piggyback.

In view of the competitive nature of the transportation industry, regulations concerning agricultural commodities for railroads should be the same as those for truckers. We believe that modification of the Interstate Commerce Act to allow railroads to bid competitively for agricultural commodities would help the growth of piggyback.

Each situation mentioned above could, if changed, contribute to wider use of piggyback and greater efficiency in the Nation's transportation system. However, the increased efficiency may mean that fewer truck drivers would be needed and some trucking companies may have a more difficult time sustaining long-haul operations.

AGENCY COMMENTS AND OUR EVALUATION

ICC said that this chapter provided both a challenge and an opportunity. The challenge is the reexamination of its piggyback policies to see if they can withstand present-day scrutiny. The opportunity lies in areas where a change might be warranted.

ICC said its past policies in the areas of key point restrictions and unrestricted certification for railroad-affiliated trucking companies are ripe for reexamination. ICC has referred these issues to its Task Force on Improving Motor Carrier Entry Regulation.

ICC further agreed that certain sections of the Interstate Commerce Act which impose tighter restrictions on railroad-controlled truck companies than on other trucking companies may warrant changes. ICC explained that restrictions on railroad-controlled truck companies were imposed when the railroads were strong and the motor carrier industry was in its infancy. Today, ICC said some railroads are struggling, and the motor carrier industry is able to provide service and price competition undreamed of five decades ago.

ICC said it is time for it to reevaluate its policies in this area, but, ultimately, legislation may be needed to make any significant changes. To see if new legislation is warranted, ICC is directing its Staff Task Force to reexamine this subject.

In addition, ICC substantially agreed that regulation of the transportation of agricultural commodities is inequitable. ICC stated it has repeatedly requested legislation to alleviate the disparity caused by complete regulation of the railroads, regardless of the commodities handled, and the exemption of motor carriers hauling agricultural commodities.

ICC said that truckers can apply to use piggyback facilities at points they are not authorized to serve. Under normal licensing procedures, ICC said a trucker wanting authority to use piggyback facilities can request it.

We recognize that such procedures are available, but past ICC policy has limited the authorities granted. In response to a 1974 petition involving this issue, ICC said restrictions were needed to control piggyback effectively. In 1975 ICC rejected its own study panel's recommendations that special operating authorities be granted to truckers wanting to use piggyback because it believed existing truck service was adequate.

We believe ICC should help promote energy efficient piggyback, and granting special operating authorities would be one way of doing so.

RECOMMENDATIONS

We recommend that ICC:

--Eliminate or modify restrictions on rail-owned trucking companies so that these railroads can perform piggyback more effectively.

--Eliminate or modify restrictions on truckers' use of piggyback.

--Approve special operating authorities for truckers who want to use piggyback service.

--Review the adverse impact on piggyback from provisions of the Interstate Commerce Act and seek legislative authority, where needed, to make changes.

DESCRIPTION OF PIGGYBACK PLANS

TAKEN FROM ICC FIELD SERVICE MANUAL

Plan I is the movement of motor common carrier freight in the motor carrier's own trailers. The motor carrier is responsible for draying the trailers to and from the railroad ramp. The motor carrier issues a bill of lading to the shipper and pays the railroad an agreed charge based on contractual arrangement for the movement of its trailer. Plan I is actually a substituted rail service. Under plan I the motor carrier must have underlying operating authority.

Plan II is a complete transportation service performed by the railroad. The railroad, in addition to providing the underlying rail transportation on flatcars, furnishes the trailer and provides drayage of the trailer between ramp and facility of shipper or consignee located within the railroad's terminal area. The shipments move on rates published in the rail tariff. Some plan II rates provide for the loading and/or unloading of trailers by the railroad; however, generally the loading and unloading of trailers is the responsibility of the shipper and/or consignee.

Plan II 1/2 is a ramp-to-ramp service using equipment of the railroad. Plan II 1-1/2 is similar to plan II with the exception that under plan II 1/2 drayage of the trailer to and from the rail ramp is the responsibility of the shipper and/or consignee. As a result, plan II 1/2 rates are lower than plan II.

Plan II 1/4 Railroads quite often have variations of plan II 1/2, calling them II 1/4 or II 3/4, whereby the railroad by tariff states that it will provide trailer drayage at either origin or destination.

Plan III is very similar to plan II 1/2 in that the railroad provides a ramp-to-ramp service. The difference in the two plans is that under plan III rates, the shipper furnishes the trailer. The railroad may lease trailers to shippers; however, the railroad must have a tariff provision with respect to the leases specifying the charges.

Plan IV is the underlying transportation by rail of shipper-owned flatcars and trailers. The predominant users of this plan are freight forwarders and associations of shippers. The railroads may lease flatcars as well as trailers; however, to do so they must have appropriate tariff publication with specific charges.

Plan V is a truly intermodal service involving a joint motor-rail-motor, rail-motor, motor-rail, or any combination thereof, movement. Rates charged the underlying patron may be rail or motor; however, they are generally motor. The railroads and motor carriers involved have an interchange agreement for movement of the trailer and, in addition, an agreement as to the division of revenue.

Interstate Commerce Commission
Washington, D.C. 20423
OFFICE OF THE CHAIRMAN

September 19, 1977

Mr. Henry Eschwege
Director
Community and Economic
Development Division
United States General Accounting
Office
Washington, D.C. 26548

Dear Mr. Eschwege:

The Commission appreciates the opportunity to comment on the proposed report entitled "Combined Truck/Rail Transportation Service--Action Needed to Enhance Effectiveness".

The report correctly points out that there are many interrelated factors inhibiting the growth of piggyback service. Because the draft report and present Commission thinking are consistent on most major issues, our comments will concentrate on points where a different emphasis may make it easier for the public to understand the controversies and economic trade-offs involved. In several places specific changes in the draft report are suggested. Updates of pending Commission proceedings involving piggyback also have been included.

Initially, I'd like to point out that I have referred the difficult issues of key point restrictions and unrestricted motor carrier certification for railroad-affiliated carriers to the Commission's Task Force on Improving Motor-Carrier Entry Regulation. As you indicate in your report, the Commission's past policies in these areas are ripe for reexamination.

RAILROAD ACTIONS NECESSARY TO INCREASE THE USE OF PIGGYBACK

The draft cites three areas in which railroads need to improve performance. While the railroads are the proper focal point, since they actually perform the service, there may be limits to the improvements they can effectuate. Shippers' specialized needs and the inherent inflexibility of rail operations also need to be considered. Beyond a certain level of service, diversion of traffic to piggyback cannot be expected because of the basic differences between rail and truck service. These are some examples:

(1) Piggyback is not a good choice for short haul movements, partially because of delays in terminal operations. Unfortunately, as a general rule the more efficient the terminal, the costlier the service becomes. Short rail movements have high operational costs and are not price competitive with trucks. Perhaps use of a corridor with a longer line-haul would partially neutralize terminal delays and narrow the differences in delivery times and rates assessed. Of course, use of a different corridor might have little impact on the problems concerning loss and damage claims.

(2) Piggyback is not a particularly suitable mode for all commodities.

(3) Piggyback requires a steady, heavy, two-way traffic flow to support the expense of pig yards. This latter problem is more troublesome than in the motor carrier field, since many types of rail cars handle special commodities and are of a specialized construction.

(4) Rail service is less flexible geographically. This is crucial because of the demographic changes taking place in our society. Factories and the markets for manufactured goods are increasingly concentrated in large metropolitan areas. The distribution of manufacturers to a dispersed rural and small-town population, for which much of the rail network was built, has diminished in importance. Metropolitan areas have become more self-sufficient. Products that continue to move in long intercity shipments are typically highly styled products of light manufacturing that move in small lots and require levels of service that railroads are not designed to provide. The rail network has not been extended to cover the many situations where cities have grown and decentralized. The suburbanization of residences and industries has taken consumers and shippers to areas without immediate access to rail lines. The physical inflexibility of railroads stands in great contrast to the flexibility of motor carrier operations. A trucker can serve all parts of a town, and the interstate highway system enables trucks to enter, leave, or bypass congested metropolitan areas with ease.

The railroads must improve, but the problems they will have in conforming their service offerings to shippers' and carriers' piggyback needs are serious. More emphasis should be placed on this in this report, and then realistic policies can be developed.

Finally, the draft should be expanded to include some historical perspective. It should examine railroad responses to complaints about poor service in areas like breakage; should look at efforts to improve their operations (e.g., improved loading devices and car construction); and post the question of whether these efforts have been maximal. Any promised technological developments also should be evaluated.

REGULATORY CHANGE

Chapter 4 of the draft provides the Commission with both a challenge and an opportunity. The challenge is in the reexamination of our piggyback policies to see if they withstand present-day scrutiny. The opportunity lies in areas where a change might be warranted.

It is true that the Interstate Commerce Act imposes tighter restrictions on railroad-controlled trucking companies than on unaffiliated ones, both in acquisition and certification proceedings. The general policies behind section 5(2)(b) of the Act, which restricts the services of motor carrier subsidiaries of railroads, arose when the motor carrier industry was in its infancy. In 1935 the Nation's railroads were strong. Domination of the trucking industry by the railroads was a realistic fear. Today, some railroads are struggling, and the motor carrier industry is able to provide service and price competition undreamed of five decades ago. It is time for the Commission to reevaluate its policies toward railroad affiliations with motor carriers.

Ultimately, legislation may be needed to effectuate any significant change in this policy. Many court decisions, including those of the U.S. Supreme Court, have examined the legislative history and past policies of the Commission. These decisions have concluded that allowing the railroad parent to invade the field of trucking would offend section 5(2)(b) of the Interstate Commerce Act and the National Transportation Policy.

To see if new legislation is warranted, I am directing our Staff Task Force to reexamine this subject. Views from the rail and motor carrier industries, as well as the shipping public, will be helpful in determining our position on this matter.

Your report notes that in a Commission proceeding, Ex Parte No. 230 (Sub-No. 4), Investigation to Consider Further Modification of the Piggyback Service Regulations, the question of circuity restrictions in substituted service is being further examined. In a previous report we relaxed the restriction for motor carriers from a 15 to a 20 percent standard. The Commission's report on the matter should be issued in the near future, so I will not discuss the merits of the issue at this time. But I should note that the response to that proceeding was very disappointing. While two major motor carrier associations and several government agencies responded, only one water carrier and two motor carriers presented views. No railroads offered evidence. This is perhaps because many circuity limitation problems arose where irregular route motor carrier authorities were tacked, and most circuitous routing by tacking of irregular route authorities has been ended by our gateway regulations at 49 CFR 1065. But the lack of interest might indicate that economic, rather than regulatory forces play a more significant role in the non-use of TOFC services.

(See GAO note 1, p. 37.)

Another suggestion in the draft is that the Commission authorize trucklines to use TOFC facilities at points the trucklines are not authorized to serve. A motor carrier wishing to perform such an operation is not forbidden to request such authority under our normal licensing standards. As far back as 1965, in Maskelyne Transfer & Storage, Inc., Extension, 66 M.C.C. 581, the Commission ruled that this type of coordinated service is "distinctly in the public interest". There was no shipper support in that proceeding, but the Commission felt that a substituted operation would result in operating economies. The Commission receives thousands of applications for motor carrier authority annually. Many are based, and granted, on theories such as balanced operations, operating economies, and fuel conservation. While the type of case represented by Maskelyne is not encountered often, the Commission has not placed any constraints on these types of applications. If a trucker wants to specialize in piggyback, there is no regulatory obstacle. Also, the trucker may specialize in these operations using the existing Plans I and V.

We agree substantially with the analysis of inequities involved in the transportation of agricultural commodities. The Commission has repeatedly requested legislation from Congress to alleviate the disparity caused by complete regulation of the railroads, regardless of the commodities handled, and the exemption of motor carriers hauling agricultural commodities. It should be noted, however, that the traditional heavy rail movement is from agricultural producing areas to consuming areas, and consequently, the predominating empty movement is from consuming areas to the farm regions. Also, increasing the quantity of service available for a limited amount of agricultural production could result in an increase in empty mileage for trucks.

The draft report recognizes our efforts against sham agricultural cooperatives. Ex Parte No. MC-75 (Sub-No. 1), Agricultural Cooperative Transportation Exemption (Modification of Regulations), a rulemaking proceeding which will try to define more clearly the exemption accorded agricultural cooperatives, will be decided shortly.

An appendix to this letter details some minor points in the draft which you may find helpful in your review.

The dialogue on this subject has already proven valuable to the Commission, since it has caused us to commence a reevaluation of long-standing policies on motor carrier-railroad affiliations and key point restrictions. I will keep you informed of the Commission's progress in these matters.

If I can be of further assistance, please do not hesitate to call upon me.

Sincerely yours,

A. Daniel O'Neal
Chairman

Attachment (See GAO note 2.)

Commissioner Christian was absent and did not participate.

GAO notes : 1. TOFC refers to "Trailer on Flatcar," another term for piggyback.

2. Attachment consisted of miscellaneous editorial suggestions which have been incorporated in the report.

PRINCIPAL INTERSTATE COMMERCE COMMISSION OFFICIALS RESPONSIBLE FOR ADMINISTERING ACTIVITIES DISCUSSED IN THIS REPORT

	Tenure of office	
	From	To
CHAIRMAN:		
A. Daniel O'Neal	Apr. 1977	Present
George M. Stafford	Jan. 1970	Apr. 1977
DIRECTOR, OFFICE OF PROCEEDINGS:		
Robert J. Brooks	Mar. 1974	Present
Vacant	Dec. 1973	Mar. 1974
Sheldon Silverman	Mar. 1970	Dec. 1973
DIRECTOR, BUREAU OF OPERATIONS:		
Joel E. Burns	Sept. 1976	Present
Lewis P. Teeple	Dec. 1975	Sept. 1976
Robert D. Pfahler	May 1967	Dec. 1975

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